



These 3 Canadian Mid-Cap Stocks Are Surging — But for How Much Longer?

Description

The COVID-19 market crash has set the stage for an [unprecedented rally](#) across some of the more promising (and unfairly beaten-up) Canadian mid-caps on the **TSX Index**. Shares of **TFI International** ([TSX:TFII](#)), **Goodfood Market** ([TSX:FOOD](#)), and **Cargojet** ([TSX:CJT](#)), now find themselves up 117%, 230%, and 113%, respectively, from their March lows. I've been pounding the table on each stock over the last several months.

If you took my advice and bought instead of panicking amid one of the worst socio-economic shocks in recent memory, you made a lot of money over just a few months.

Indeed, a [market crash](#) is a terrible thing for value investors to waste. And although the stock market, as a whole, may have overextended itself, there are many reasons to believe that stocks, on average, aren't as expensive as they seem on the surface.

Remember, the stock market is a lens into the future — and it's probably telling us that the economy is due for an abrupt recovery in 2021 and beyond. If 2020 is a write-off year, as many expect, and a vaccine will propel us back to pre-crisis levels, the following three mid-caps may not be done rallying. Each firm has demonstrated resilience amid the pandemic and is likely to grow out of it as strong as it's ever been.

Without further ado, let's have a closer look at each mid-cap to see which one, if any, is still worthy of buying after bouncing so sharply.

TFI International

Trucking firm TFI is the heart and lungs of the North American economy. And they've been going strong amid this crisis. Shares imploded back in February and March alongside almost everything else, but shares of the less-than-load (LTL) transport and logistics firm are now above pre-pandemic all-time highs.

If we're due for an abrupt recovery from this crisis, TFI will continue roaring higher, as the demand for

its services will likely continue to be strong. If you're bullish on the economy's ability to bounce back, TFI remains a solid bet, even after its big run.

You may have missed out on the easiest gains, but believe it or not, the stock still trades at a modest multiple at 0.87 times sales, 2.46 times book, and 7.1 times EV/EBITDA.

TFI's dividend is also on solid footing. The 2%-yielding dividend has a low 25% payout ratio and is in a spot to grow at an above-average rate over the coming years.

Goodfood Market

Goodfood Market is a meal-kit delivery company that recently turned in a profit for the first time thanks to pandemic tailwinds that accelerated subscriber growth and the size of orders per subscriber. Margins have also been continuing on the uptrend, which bodes well for the mid-cap tech firm that's doing its part to help get groceries to Canadians in need amid this unprecedented crisis.

Despite the Goodfood's recent run, the stock still looks undervalued beyond proportion at an absurd 1.5 times sales. If you're in the belief that Goodfood can retain its subscribers after this pandemic concludes, shares are nothing short of a steal right now.

The well-run firm may be in an ever-crowded industry, but as its value proposition continues improving, I think it can start forming a bit of a moat around its subscriber base. For now, churn remains a cause for concern, but at these depressed valuations?

I'd say the stock is still worth buying, as it has a lot of room to run in its budding industry as a company with a mere \$365 million market cap.

Cargojet

Cargojet is one of the airlines that's actually made investors money during this crisis.

As you may have guessed from the name, the company ships cargo and not passengers. In times like these, when e-commerce orders are surging, Cargojet is in a spot to surge, as its passenger-carrying peers fall at the hands of government-mandated shutdowns.

The company has demonstrated its resilience, and as its fleet continues to grow in size, so too will its moat around the Canadian overnight air cargo shipping industry. The company is riding high on pandemic tailwinds and is also enjoying some long-lived secular tailwinds. While the stock has grown pricey, I still think it's a buy.

CATEGORY

1. Coronavirus
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TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)
2. TSX:FOOD (Goodfood Market)
3. TSX:TFII (TFI International)

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